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AZ CORP COMMISSION
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Arizona Corporation Commission

DOCKETED

MAR - 5 2003

DOCKETED BY

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF ARIZONA WATER COMPANY, AN
ARIZONA CORPORATION, FOR
ADJUSTMENTS TO ITS RATES AND
CHARGES FOR UTILITY SERVICE
FURNISHED BY ITS EASTERN GROUP
AND FOR CERTAIN RELATED
APPROVALS.

Docket No. W-01445A-02-0619

AFFIDAVIT OF RALPH J. KENNEDY

STATE OF ARIZONA)
) ss.
County of Maricopa)

RALPH KENNEDY, being first duly sworn upon his oath, deposes and says:

1. I am a resident of Maricopa County, Arizona, over 18 years of age, and make this affidavit based on my own personal knowledge.

2. I am the Vice President and Treasurer of Arizona Water Company ("Arizona Water" or the "Company"). I have held these positions since 1987. In such capacity, I am familiar with and have knowledge of Arizona Water's general rate case application for rate adjustments for its Eastern Group systems pending in this docket. Specifically, I have been involved in and supervised the Company's responses to data requests in this rate proceeding.

3. I have reviewed Staff's Motion to Continue All Procedural Deadlines, Continue Hearing, and For Tolling of the Rate Case Time-Clock filed February 27, 2003. ("Motion to Continue"). Staff's request is based on an inaccurate and misleading presentation of the facts

1 related to both Arizona Water's general rate case application and its responses to data requests in
2 this docket. The purpose of my affidavit is to respond to Staff's allegations and explain why the
3 allegations are erroneous and misleading. Staff's extension request is based primarily on Staff's
4 claim that "[i]nformation critical to Staff's ability to analyze this case and prepare its direct
5 testimony has been delivered extremely late, or in many cases, not at all." Motion to Continue at
6 1. The Company strongly disputes this contention.

7 4. Staff has served seventeen sets data requests on the Company through February
8 14, 2003. In total these data requests included 214 questions not counting subparts. Since
9 January 8, 2003, Staff has served 12 sets of data requests on the Company, with 5 of those sets of
10 data requests, approximately 30% of the total, being served between February 10, 2003
11 and February 14, 2003. Exhibit A, Graph.¹ On the last 5 sets of data requests, 35 of the 67
12 questions have come from Staff's attorney and deal with the Company's 1998 settlement
13 agreement with the Pinal Creek Group ("PCG").

14 5. The date on which each of Staff's 18 separate sets of data requests was received
15 by the Company and the date on which each of the Company's responses was delivered to Staff
16 are listed below:

17 1st Set – Received 10/21/02; Delivered 10/31/02

18 2nd Set – Received 11/19/02; Delivered 11/27/02

19 3rd Set – Received 11/20/02; Delivered 12/2/02 (11/30/02 & 12/1/02-Sat/Sun)

20 4th Set – Received 12/4/02; Delivered 12/16/02 (12/14/02 & 12/15/02-Sat/Sun)

21 5th Set – Dated 12/24/02-Received 12/26/02 (12/24/02 Holiday; Staff notified via e-mail);
22 Delivered 1/6/03; REL 5-19, 2nd Supplement Delivered 2/14/03

23 6th Set – Received 1/8/03; Delivered 1/21/03 (1/18/03 & 1/19/03-Sat/Sun; 1/20/03-
Monday MLK Holiday)

24 7th Set – Received 1/9/03; Delivered 1/21/03 (1/18/03 & 1/19/03-Sat/Sun; 1/20/03-
25 Monday MLK Holiday)

26 ¹ The Company has also received 3 sets of data requests from RUCO.

1 8th Set – Received 1/10/03; Delivered 1/21/03 (1/20/03-Monday MLK Holiday)
2 9th Set – Received 1/15/03; Delivered 1/27/03 (1/25/03 & 1/26/03-Sat/Sun)
3 10th Set – Received 1/16/03; Delivered 1/27/03 (1/26/03-Sunday)
4 11th Set – Received 1/23/03; Delivered 2/3/03 (2/2/03-Sunday) Note: 2/7/03-provided
5 missing page from TJS 11-4
6 12th Set – Received 2/6/03; Delivered 2/18/03 (2/16/03-Sunday; 2/17/03 President's Day)
7 13th Set – Received 2/10/03; Delivered 2/20/03
8 14th Set – Received 2/11/03; Delivered 2/21/03
9 15th Set – Received 2/12/03; Delivered 2/24/03 (2/22/03 & 2/23/03-Sat/Sun)
10 16th Set --Received 2/13/03; Delivered 2/24/03 (2/23/03-Sun)
11 17th Set--Received 2/14/03; Delivered 2/24/03; TJS 17-1, Supplement Delivered 2/25/03
12 18th Set-Received 3/4/03; Response pending

13 As clearly shown above, the Company has been timely in responding to each set of Staff's data
14 requests. I believe this is commendable, particularly given the large number of data requests and
15 the large number served on the Company on successive dates in February, which is abusive.
16 Instead of seeking a protective order, the Company responded in a timely fashion. Although a
17 few data request responses have required supplementation, in no instance has the Company been
18 "extremely late" in providing responsive information as erroneously asserted by Staff. Motion to
19 Continue at 1.

20 6. Arizona Water has not failed to provide any information in its possession in
21 response to Staff's data requests. I take particular issue with Staff's claim that the Company has
22 failed to provide "detailed information necessary to audit" the Company's post test year plant
23 additions ("PTYPA"). Motion to Continue at 2. In fact, the Company has provided Staff with a
24 substantial amount of information concerning PTYPA.

25 7. To begin with, Staff has misrepresented the Company's request concerning
26 PTYPA. The Company is not seeking to include in rate base all PTYPA installed through the

1 date of the hearing, as Staff erroneously contends. Id. In the precise testimony cited by Staff,
2 the Company explained its selection of December 31, 2002, as the cut-off date for
3 PTYPA, which is nearly six months before the hearing dates:

4 Q. WHY IS THE COMPANY PROPOSING A CUT-OFF DATE FOR POST
5 TEST YEAR PLANT ADDITIONS OF DECEMBER 31, 2002?

6 A. All post test year plant in service at the time of hearing should be included in
7 rate base. Nevertheless, as a practical matter, December 31 is a reasonable
8 cut-off date based on the timing of the application and the anticipated date on
9 which the direct testimony and/or report of the Utilities Division will be due.
10 The December 31 cut-off date will allow the Utilities Division staff and any
11 other party ample time to verify that all plant additions have been placed in
12 service and to verify their construction cost. Ideally, Staff would update the
13 findings in its Staff Report to a date immediately before the hearing.

14 Direct Testimony of Michael J. Whitehead at 6-7. The Company's request seeks to include in
15 rate base PTYPA for one year after the Test Year, December 31 2001. I simply cannot imagine
16 how Staff, in good faith, could read this testimony to propose the hearing date as the cutoff for
17 PTYPA. I can only conclude that Staff has deliberately exaggerated the Company's request as a
18 pretext for its Motion to Continue.

19 8. The Company has provided detailed information concerning PTYPA throughout
20 this ratemaking proceeding. In its direct filing, Arizona Water identified a number of post test
21 year construction projects and provided estimated costs for all such projects. Then, in October
22 2002, Staff requested actual costs associated with construction projects included as PTYPA as of
23 December 31, 2001 and the Company responded:

24 **Data Request No. REL 1- 23**

25 *Post Test Year Plant – For each system of the Eastern Group,*
26 *please provide the following information for each construction*
project that the Company is proposing to include in rate base as a

1 *pro forma adjustment to "Gross Plant In Service":*

2 *a. Identification and description of project.*

3 *b. Date construction began.*

4 *c. Date construction is expected to be complete or was completed*
5 *and placed in service.*

6 *d. The periods during which the ratepayers will likely benefit*
7 *from the project.*

8 *e. The extent to which the project replaces existing plant.*

9 *f. Actual costs as of the end of the Test Year.*

10 *g. Actual costs as of December 31, 2001.*

11 *h. Accounts to which such costs will be transferred from*
12 *construction.*

13 *i. A copy of the work authorization and/or CWIP Ledger-Inside*
14 *Funded*

15 *j. Please reconcile (1) the aggregate amount of post-test year pro*
16 *forma plant additions provided in your response to (2) the post-*
17 *test year pro forma plant additions stated in Schedule B-2 Pages 1*
18 *through 11 of your application.*

19 ***Company Response To Data Request No. REL 1-23***

20 *a, b, c, d, e, f, and g.*

21 *See at tachment t itled "AWC-ACC Data Request #1:REL 1-23-*
22 *Post Test Year Plant".*

23 *h. See individual Work Authorizations provided in response to i.*
24 *below.*

25 *i. Copies of Work Authorizations associated with projects*
26 *included in the pro forma adjustment to Gross Plant in Service for*
 Post Test Year Plant Additions are attached.

j. On Schedule B-2 pages 1-11, actual costs as of December 31,
 2001 of \$12,216 were removed from Construction Work in
 Progress and are included in the pro forma adjustment to Gross
 Plant in Service for Post Test Year Plant Additions of \$5,763,968.
 At December 31, 2001, the remainder of the projects included in
 the pro forma adjustment to Gross Plant in Service for Post Test
 Year Plant Additions had \$0 balances.

1 9. In December 2002, Staff requested information concerning plant placed in service
2 from January 1, 2002 through December 31, 2002. The Company responded:

3 **Data Request No. REL 5-6**

4 *Please provide a listing of plant placed in service from January 1,*
5 *2002 through December 31, 2002. Please show the effect on rate*
6 *base, revenue and expenses. Also please indicate if the asset is*
7 *revenue neutral.*

8 **Company Response To Data Request No. REL 5-6**

9 *Plant placed in service for the period January 1, 2002 through*
10 *December 31, 2002 will be determined upon the closing of*
11 *Construction Work in Progress, which is performed with the year-*
12 *end closing entries. Arizona Water estimates that the closing of*
13 *Construction Work in Progress will be completed around*
14 *February 15, 2003. At that time, this data response will be*
15 *supplemented to provide the requested information.*

16 10. Next, the Company received and responded to Data Request REL 8-8 in January
17 2003:

18 **Data Request No. REL 8-8**

19 *Regarding the two wells in the Apache Junction system that will*
20 *not be included in the post-test year plant additions (see response*
21 *to REL 4.8a).*

22 *Is the cost of these wells included in the post-test year plant in*
23 *service, (Adjustment No. 1) in the amount of \$5,763,986? If so,*
24 *please provide the pro forma amount that should be removed from*
25 *post-test year plant in service.*

26 *Are any of the projects included in post-test year plant placed in*
27 *service in Adjustment No. 1 that due to time constraints or other*
28 *reasons need to be removed from post-test year plant in service?*
29 *If so, please provide a description of the project and amount that*
30 *should be removed from post-test year plant in service.*

31 **Company Response To Data Request No. REL 8-8**

32 a. Yes. The two wells (WA# 1-2976 and WA# 1-3210) in the
33 Apache Junction system referred to in Response to Data Request
34 No. 4-8a will not be included in post-test year plant additions.
35 The cost of these two wells was originally included in Pro Forma
36 Adjustment (1) on Schedule B-2 line 1. Gross Plant In Service.
37 The adjustment necessary to remove the two wells from the post-

1 test year plant in service is \$1,263,648 consisting of \$579,172
2 associated with WA# 1-2976 and \$684,476 for WA# 1-3210.

3 b. Other projects included in post-test year plant in service in Pro
4 Forma Adjustment (1) on Schedule B-2 line 1 - Gross Plant In
5 Service that will not be completed by year-end as well as changes
6 in blankets and specials can more appropriately be determined
7 upon completion of the closing of Construction Work in Progress.
8 At that time, all differences in the Company's pro forma
9 adjustment to post test-year plant additions can be recognized.
10 The work authorizations referred to in Response to Data Request
11 No. REL 8-1 that have been completed as blanket items will be
12 incorporated in an adjustment to the Company's original pro
13 forma adjustment. The Work Authorizations completed as
14 "specials" during 2002 and included in Response to Data Request
15 RUCO 1.6, will be incorporated into an adjustment to the
16 Company's original pro forma adjustment. The differences in
17 budgeted versus actual amounts will also be known and included
18 at that time. The Company is anticipating closing Construction
19 Work in Progress to Plant in Service around the middle of
20 February. When the closings are completed, the Company will
21 provide all of the information necessary to adjust the pro forma
22 adjustment for post-test year plant additions.

23 11. Additional plant data was provided on February 24, 2003. Data Request REL 15-
24 11, received February 12, 2003, requested corrections to depreciation expense pro forma
25 adjustments that would also be impacted by PTYPA. In response, Arizona Water provided the
26 requested information:

27 **Data Request No. REL 15-11**

28 Regarding the Company's February 12, 2003 phone notification
29 informing Staff of their use of an incorrect component
30 depreciation rate schedule when calculating pro forma expense
31 adjustments while completing its application; Please submit
32 revised schedules using the appropriate component rates.

33 **Company Response To Data Request No. 15-11**

34 Revised schedules are attached which use the appropriate
35 component rates discussed with Staff on February 12, 2003. The
36 revised schedules have also been adjusted to reflect actual
37 revenue-neutral plant additions for 2002. The adjustments
38 computed by these revised schedules will affect the following pro
39 forma adjustments: (emphasis added)

40 Pro Forma Adjustment #2 (Schedule B2) - Depreciation on Post
41 Test Year Additions,

1 *Pro Forma Adjustment #3 (Schedule B2) – Six Months Additional*
2 *Depreciation on Test Year Additions,*

3 *Pro Forma Adjustment #17 (Schedule C2 - Six Months Additional*
4 *Depreciation on Test Year Additions, and*

5 *Pro Forma Adjustment #18 (Schedule C2) - Depreciation on Post*
6 *Test Year Additions*

7 12. The Company agrees that determination of rate base is of critical importance and
8 believes that it has provided all that Staff has requested regarding the revenue-neutral PTYPA it
9 proposes to include in rate base. Staff has also requested information on total plant in service at
10 December 31, 2002, showing all additions and retirements. This information will be provided by
11 March 7, 2002 as supplements to the Company's earlier responses to REL 5-6 and REL 8-8. The
12 Company provided actual revenue-neutral PTYPA additions in conjunction with its response to
13 Data Request REL 15-11 to further aid Staff. In addition, the Company provided Staff a copy of
14 Arizona Water's response to RUCO Data Requests 1.6 (Exhibit B hereto) and 3.4 (Motion to
15 Continue at Exhibit 1), which include work authorizations for all 2001 additions and PTYPA.

16 13. Given all of the information concerning the Company's PTYPA Staff has been
17 provided, Staff has more than enough data to analyze the Company's proposed adjustments and
18 to prepare its recommendations. In addition, Staff will have the remaining total 2002 plant in
19 service year-end data by March 7, 2003, one month before its direct filing is due, over
20 two months before its surrebuttal filing is due, and over three months before the hearing in
21 this docket. Certainly, this leaves Staff enough time to "check" its recommendations against this
22 additional data. Of course, Staff's direct filing will address the Staff's recommendations about
23 whether and to what extent the Company's proposed PTYPA should be adopted in TY rate base.
24 But, the Commission, not Staff, will ultimately decide whether the Company has satisfied the
25 burden of proof on this issue. Either way, Staff's reliance on the issue of PTYPA to delay this
26 rate proceeding is groundless.

 14. Staff's assertion that the Company failed to provide 2002 actual expense data is

1 also erroneous and provides no basis for delaying this rate case. Motion to Continue at 2. The
2 Test Year in this proceeding is the year ending December 31, 2001, and verification of the
3 Company's pro forma adjustments merely requires understanding the basis for the calculations
4 supporting those adjustments. Documentation has been provided to verify these calculations,
5 which are based upon known and measurable changes in cost elements applied to actual 2001
6 volumes. In Response to Data Request REL 1-29, the Company provided printouts of
7 workpapers supporting operating results, rate base and the Lead/Lag Study. In Response to Data
8 Request 1-30, the Company provided electronic copies on disk in Microsoft Excel format of the
9 schedules and work papers to support its filing. Staff has had these responses for four months. In
10 addition, monthly operating reports for 2002 have been provided to Staff for every month except
11 December 2002. December 2002 data will be provided as soon as the Company's annual audit is
12 completed no later than March 14. More importantly, however, expense data for calendar year
13 2002 is not required to evaluate the Company's pro forma adjustments to its 2001 Test Year.
14 Actual 2002 expenses will be based on actual 2002 prices and volumes, and will not correspond
15 to the Test Year operations adjusted in some cases for 2002 price changes. In effect, Staff would
16 be comparing apples to oranges.

17 15. I understand that Staff desires to review the Company's 2002 actual expenses in
18 order to compare them to the pro forma 2001 expenses claimed by the Company. Motion to
19 Continue at 2. That may very well be Staff's desire, but it surely does not require 3 1/2 months
20 to compare the 2002 actual expenses to the 2001 pro forma amounts, nor does it justify
21 an extension of the time clock. Again, Staff has substantial data to analyze regarding the
22 Company's proposed pro forma adjustments and, as with the Company's proposed adjustments
23 to rate base for PTYPA, Staff's report will deal with this issue. To the extent Staff disagrees with
24 the Company's pro forma adjustments the Commission can weigh the parties' positions and
25 determine which party has met its burden of proof.

26 16. Staff's claim that the Company's use of incorrect depreciation rates further

1 justifies an extension is also misleading. Motion to Continue at 2. In the data request response
2 cited by Staff, the Company merely informed Staff that it had inadvertently used several
3 component depreciation rates from a 1987 depreciation study rather than a 1990 depreciation
4 study. Motion to Continue at Exhibit 3. The Company has never "agreed that it had to file
5 revised rate case schedules to correct its application," as Staff alleges. Id. The Company's
6 application is not erroneous; the Company has not been ordered to use the depreciation rate in
7 the 1990 study or, for that matter, from any other particular study.

8 17. The effect of using some component depreciation rates from the 1987 study is not
9 material. Although the Company intended to use the 1990 rates, inadvertent use of several 1987
10 component rates is not material. After income taxes, a \$50,000 change to depreciation expense
11 would only be approximately a \$31,000 change to increase pro forma operating expenses totaling
12 \$12.7 million. The Company's application does not require a substantive correction. Arizona
13 Water has not altered the relief sought and has told Staff that it would accept the reduced revenue
14 requirement. E.g., Motion to Continue, Exhibit 6 at 6-7. Staff, on the other hand, has the 1990
15 study and is free to recommend use of those rates and the related increase in the Company's
16 revenue requirement, or to propose different depreciation rates. Again, either way, no extension
17 of time is necessary or justified.

18 18. Staff's complaints concerning the Company's settlement agreement with the PCG
19 are also baseless. Briefly, the Company attempted to intervene in a lawsuit pending in federal
20 court brought under the State's Water Quality Assurance Revolving Fund ("WQARF"). The
21 Company contended that its Miami system's operations were impacted by groundwater
22 contamination and other problems caused by decades of mining in the area. The federal district
23 court judge ultimately denied the Company's motion to intervene. Nonetheless, the Company
24 was able to negotiate a settlement with the mining companies comprising the PCG. The
25 Company was never involved in the Pinal Creek WQARF Site litigation and the Company's
26 actual damages were neither determined nor litigated. The settlement agreement includes a strict

1 confidentiality provision that provides specific procedures the Company must follow before
2 providing information about the settlement.

3 19. Staff claims to have only learned about the settlement with the PCG by reviewing
4 the Company's board minutes, implying that Arizona Water has withheld information. Motion
5 to Continue at 3. Reviewing the minutes is normally one of the first steps in a rate case audit.
6 However, since there was no test year impact from the PCG 1998 settlement agreement, other
7 than securing a reliable 30-year water supply for the Company's Miami customers at a reduced
8 test year cost, there was no reason for the Company witnesses to address the settlement at length
9 in their testimony.

10 20. Nevertheless, Arizona Water has made every reasonable effort to timely provide
11 Staff with information regarding the settlement agreement. However, Staff's own actions have
12 hampered the Company. For example, although the necessary protective agreement between the
13 Company and Staff was signed on February 4, 2003, Staff failed to promptly provide the fully
14 executed protective agreement to the Company's General Counsel demonstrating that Staff
15 members have read the agreement and agreed to be bound by its terms concerning non-
16 disclosure, as required in Staff's own form of protective agreement. Proof of the protective
17 agreement's execution by Staff was necessary for the Company to avoid breaching its agreement
18 with the PCG. The fully executed protective agreement was not received until February 12,
19 2003, after which the Company promptly provided Staff with the information in the Company's
20 possession that was responsive to Staff's data requests regarding the PCG settlement agreement.
21 Response to Data Request No. REL 5-19, 2nd Supplement was provided to Staff on February 14,
22 2003. However, the settlement agreement was provided to Mr. Ludders when he hand delivered
23 his Exhibit A signature page at the Company's offices on February 7, 2003.

24 21. The overwhelming majority of Staff's data requests concerning the PCG
25 settlement agreement have come from Staff's attorney and seek general information regarding
26 the federal court litigation relating to the Pinal Creek WQARF Site. See, generally, Motion to

1 Continue at Exhibit 6. Contrary to Staff's claims, the Company has not withheld any
2 information it has regarding this litigation. Rather, as Staff has repeatedly been told, because the
3 Company was never a party to the lawsuit, it lacks knowledge concerning the litigation and
4 cannot answer Staff's data requests. Id. The Company recommended that Staff contact its sister
5 agency, the Arizona Department of Environmental quality ("ADEQ") or obtain copies of
6 pleadings and other court papers from the federal court in Phoenix. Staff apparently elected not
7 to do so.

8 22. In order to further aid Staff, the Company contacted Mr. Edwin Pond, a Project
9 Manager in ADEQ's Remedial Action Unit, and Mr. Pond has invited Staff to contact him
10 directly concerning the Pinal Creek WQARF Site or the State's WQARF program. Motion to
11 Continue, Exhibit 6 at 2. If Staff acts on Mr. Pond's invitation, they should be able to obtain
12 information the Company does not possess.

13 23. I would also like to address Staff's suggestion that the 2001 Test Year is "stale."
14 The Company's application was originally docketed on August 14, 2002 utilizing a Test Year
15 ending December 31, 2001. Although Staff issued a deficiency letter, a copy of which is
16 attached hereto as Exhibit C on September 13, 2002, nowhere in that letter did Staff claim that
17 the Test Year was "stale" and Staff does not even attempt to explain in its motion what has
18 changed since that time to make the 2001 Test Year "stale". The Commission's regulations state
19 that the end of the Test Year shall be the most recent practical date prior to the filing. The
20 Company's books for calendar year 2001 were closed the middle of March 2002, which allowed
21 5 months to put together a rate case filing for the eight Eastern Group Systems. Indeed, calendar
22 year 2001 was the most recent period for which the Company had audited financial statements.
23 By comparison, in the Company's previous rate cases involving its five Northern Group systems,
24 the Company used calendar year 1999 as its Test Year, and filed its application in November
25 2000. Staff did not contend that the Company's 1999 Test Year was 'stale'.

26 24. Lastly, I would like to again point out that Staff's own actions have hampered the

1 Company's ability to assist Staff in its efforts. On February 19, 2003, the Company's counsel
2 met with several of Staff representatives and, according to our attorneys, each of the foregoing
3 issues, except the allegedly "stale" Test Year, was discussed. Sheryl Hubbard contacted Staff the
4 next day, February 20, 2003, to arrange a meeting to further discuss Staff's concerns. Staff's
5 representatives claimed they did have time to meet with us either on that day or on the next day.
6 Moreover, Staff still has not called us back to arrange a meeting. This shows that Staff knows
7 the issues are groundless, suggesting that there is some other motivation for Staff's motion. We
8 have tried to work with Staff in a cooperative manner, and should not be punished because Staff
9 is unwilling to cooperate with us.

10 25. Candidly, it would be unthinkable to delay this proceeding for three and one-half
11 months for the reasons offered by Staff in its Motion to Continue. As I have explained, not only
12 are Staff's contentions concerning the Company's responses grossly exaggerated and distorted,
13 but Staff has been provided with ample information to evaluate the Company's filing and make
14 its recommendations. Ultimately, I cannot help but conclude that Staff may be unable to
15 complete this task by the deadline, through no fault of the Company. Even if Staff is
16 experiencing difficulties (the Staff's motion is silent on this point), that cannot outweigh the
17 irreparable economic injuries the Company would suffer from a three and one-half month delay,
18 which could permanently cost the Company *in excess of \$1,000,000* in lost revenue. Exhibit D
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1 (schedule quantifying effects of delay). At a time when the Company is facing significant capital
2 requirements to address the new arsenic treatment requirements imposed under the Safe Drinking
3 Water Act, Arizona Water cannot afford such an onerous delay.

4 DATED this 5 day of March 2003.

5 *Ralph J. Kennedy*
6 Ralph J. Kennedy

7 SUBSCRIBED AND SWORN TO before
8 me, the undersigned Notary Public, this
9 5 day of March, 2003 by Ralph J.
10 Kennedy.

11 *Theresa M. Witwer*
12 Theresa M. Witwer
13 Notary Public
14 My Commission Expires:

15 1394165.2



1 An original and 13 copies of the
2 foregoing were delivered this 5th day of
March, 2003 to:

3 Docketing Supervisor
4 Docket Control
5 Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

6 A copy of the foregoing was delivered/mailed* this 5th
7 day of March, 2003 to:

8 Teena Wolfe, Administrative Law Judge
9 Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

10 Timothy Sabo, Esq.
11 Legal Division
Arizona Corporation Commission
12 1200 West Washington
Phoenix, AZ 85007

13 Daniel Pozefsky, Esq.*
14 Residential Utility Consumer Office
1110 W. Washington St., Suite 200
15 Phoenix, AZ 85007

16 Kay Bigelow, Esq.*
17 City of Casa Grande Attorney's Office
510 E. Florence Blvd.
18 Casa Grande, AZ 85222

19
20 By: Mary House
21
22
23
24
25
26

EXHIBIT A

Questions Per Staff Data Requests By Area/Person

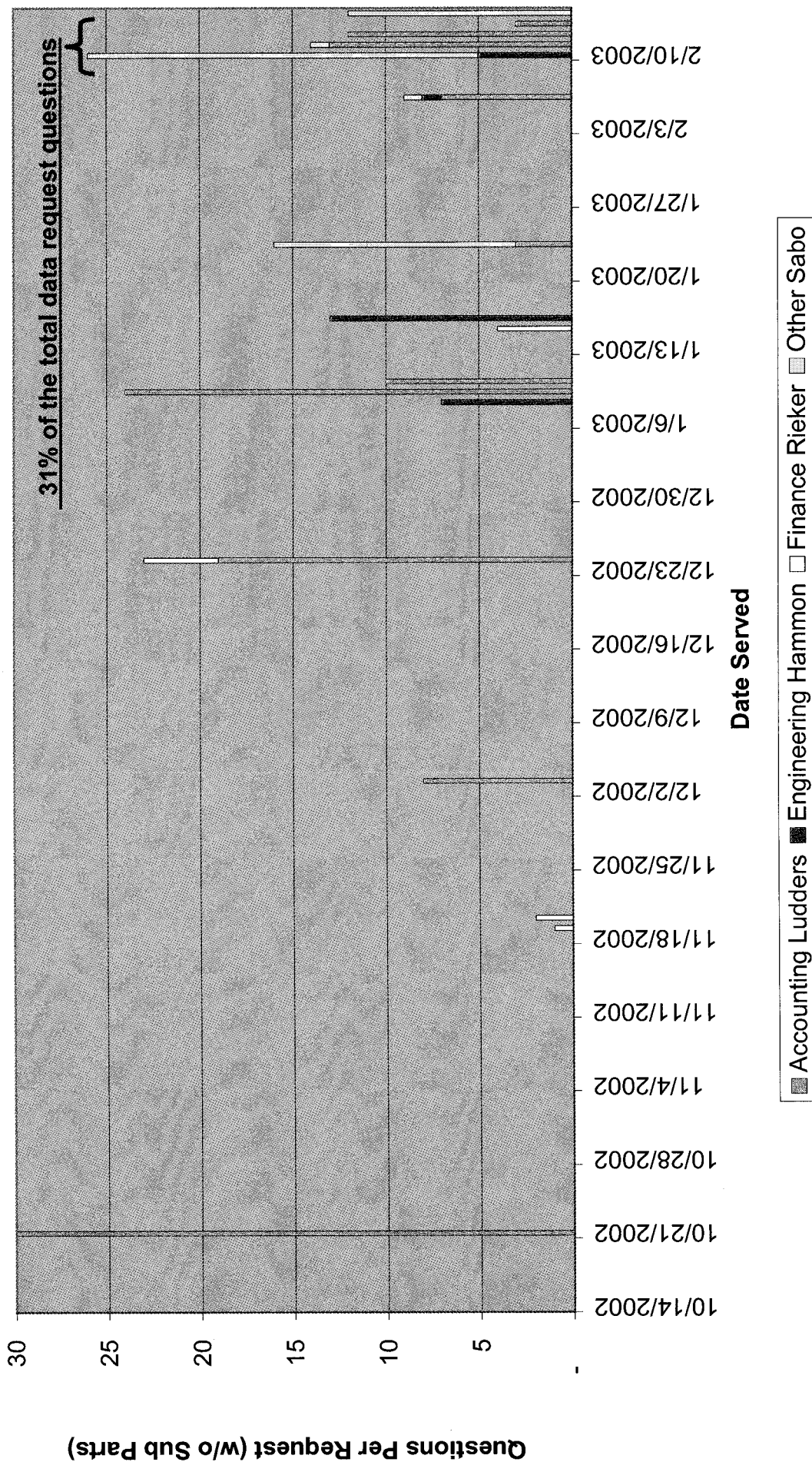


EXHIBIT B

ARIZONA WATER COMPANY
Docket No. W-1445A-02-0619
Witness(es) Whitehead

Data Request No. RUOCO 1.6

Construction Work In Progress – Please provide the following information for each system that is requesting a rate base adjustment for post test year construction projects;

- a) *List of each project and its associated cost;*
- b) *Status of the project including its actual in-service date if now complete and its estimated date if not yet completed;*
- c) *Indicate whether the cost information provided in response to part a) is an actual or estimated cost;*
- d) *Copy of the work order for each project identified in response to part a);*
- e) *Copy of the low bid that was accepted for each project identified in part a); and*
- f) *For each project and cost identified in response to part a) please indicate whether the project is supported either by a CIAC or an AIAC, and if so the dollar amount of the advance or contribution.*

Response to Data Request No. RUOCO 1.6

a-b) A summary of the projects comprising the Company's request for a rate base adjustment for post test year construction projects is attached.

c) Cost information that formed the basis of the rate base adjustments for post test year plant construction projects were based upon estimates of construction expenditures and overheads at the time of the filing of the application in this docket. Actual expenditures on projects that have already been completed are shown in Column f.-Expenditures-to-Date, Completed Projects on the schedule provided in response to items a. and b. above. These projects do not include any applicable overheads and may have some additional expenditures added.

d) A copy of the work order for each project identified in response to part a) above is attached.

e) A copy of the bid that was accepted for each project is attached.

f) All of the projects comprising the Company's request for a rate base adjustment for post test year construction projects are non-revenue producing, inside-funded projects and, as such, are supported by neither CIAC or AIAC.

EXHIBIT C

09/13/2002 18:05 FAX 6022406874
SEP-13-2002 16:43

ARIZONA WATER CO. PHX.
AZ CORP COMM UTILS DIV

602 542 2129 002/004
P.01

WILLIAM A. MUNDELL
CHAIRMAN

JIM IRVIN
COMMISSIONER

MARC SPITZER
COMMISSIONER



ARIZONA CORPORATION COMMISSION

BRIAN C. McNEIL
EXECUTIVE SECRETARY

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2002 SEP 13 A 11:06

AZ CORP COMMISSION
DOCUMENT CONTROL

September 13, 2002

Mr. Ralph J. Kennedy
Vice President and Treasurer
Arizona Water Company
3805 North Black Canyon Highway
Phoenix, Arizona 85018-6860

RE: ARIZONA WATER COMPANY, INC. - APPLICATION FOR A RATE INCREASE,
DOCKET NO. W-01445A-02-0619

LETTER OF DEFICIENCY

Dear Mr. Kennedy:

In reference to your rate application received on August 15, 2002, this letter is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

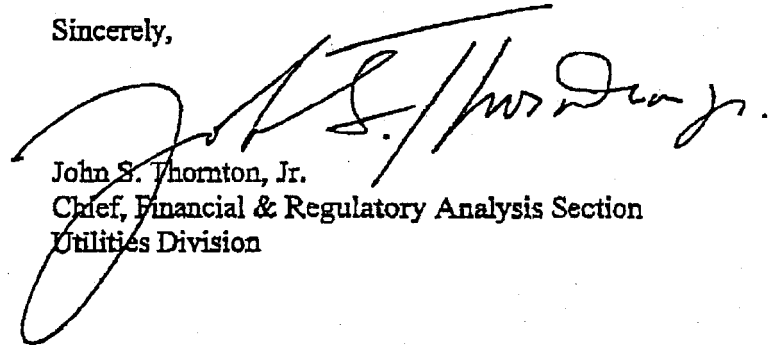
Staff has found several deficiencies with your application, which are listed on a separate attachment labeled "Deficiency Exhibit". The 30-day sufficiency determination period will begin anew when the Company corrects the deficiencies and Docket Control receives an original and fifteen copies of the corrected pages.

You have 15 calendar days, or until September 28, 2002, to correct the deficiencies, or make other arrangements with Staff to remedy your rate application. If the corrections or other arrangements are not made by the above date, Staff will request your docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and fifteen copies of an updated application at a later date.

September 13, 2002
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The Staff person assigned to your application is Ronald E. Ludders. He can be reached at (602) 542-0857, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,



John S. Thornton, Jr.
Chief, Financial & Regulatory Analysis Section
Utilities Division

JST:REL:rdp

Enclosure

CC: Docket Control Center (fifteen copies)
Robert Kennedy, Consumer Services
Delbert Smith, Engineering
Lyn Farmer, Hearing Division

ARIZONA WATER COMPANY, INC.
EASTERN DIVISION
DOCKET NO. W-01445A-02-0619
TEST YEAR ENDED DECEMBER 31, 2001

DEFICIENCY EXHIBIT

1. Schedule E-9. Please provide audited financial statements, as required.
2. Schedule F-2. Please provide Projected Changes in Financial Position - Present and Proposed Rates, as required.
3. Schedule H-5. Please provide Bill Count data showing billing activity by block for each rate schedule, as required. Staff has attached a copy of the R14-2-103, Schedule H-5 format.

Rule R14-2-103.B.5 states: "The Commission may request that supplementary information is addition to that specifically required in subsection (B)(1) and (2) of this General Order be submitted by a utility either prior to or after a filing."

Staff requests the following information be submitted prior to the finding of sufficiency and may be submitted with the Company's deficiency corrections.

1. Please provide the amount of water sold and the amount of water pumped during the last 12 months. (The 2002 summer peaks should be included.) Please note if fire hydrants or fire flow is provided. Inter connections with other private water systems or cities, and the capacity of those interconnections should be noted. This water use data should be specific to each of the eight water systems in this rate application. The required format for your response is attached.
2. Please provide an inventory of the major plant in service. The inventory should be specific to each of the eight water systems in this rate application. Major plant in service includes wells, storage tanks, booster pumps, pressure tanks, distribution mains, and meters. A suggested format for your response is attached.
3. Please provide a copy of the most recent DEQ Monitoring Assistance Program invoice for each of the participating water systems.

EXHIBIT D

ARIZONA WATER COMPANY
 REVENUE LOSS FROM STAFF'S REQUESTED EXTENSION
 BASED UPON REQUESTED RELIEF IN FILING

Assumes ratable collection of revenues throughout the year

| Line | System | Increase in Revenue | Loss of 3 Months | Loss of 105 days |
|---------------------------|-----------------|---------------------|------------------|------------------|
| 1 | Apache Junction | 1,305,662 | 326,416 | 375,601 |
| 2 | Bisbee | 612,649 | 153,162 | 176,241 |
| 3 | Sierra Vista | 411,592 | 102,898 | 118,403 |
| 4 | Miami | 722,717 | 180,679 | 207,905 |
| 5 | San Manuel | 446,871 | 111,718 | 128,552 |
| 6 | Oracle | 233,326 | 58,332 | 67,121 |
| 7 | Winkelman | 32,341 | 8,085 | 9,304 |
| 8 | Superior | 491,352 | 122,838 | 141,348 |
| 9 | Eastern Group | 4,256,510 | 1,064,128 | 1,224,475 |
| Percentage Lost - 105/365 | | 0.287671233 | | |
| Percentage Lost - 3/12 | | 0.25000 | | |